

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin

SUBJECT: Requirements with Respect to the Purchase or Sale of Electric Energy

1. It is the responsibility of the Administrator to determine that the security for each loan is reasonably adequate. In discharging such responsibility the loan documents in respect of a loan to a cooperative, other non-profit corporation, a power district or other public agency, shall contain provisions which will protect the Government's security, i.e., the borrower's system and its revenues, insofar as the security may be affected by the purchase or sale of electric energy by the borrower. More specifically the loan documents with respect to a loan to a cooperative, other non-profit corporation, or unless prevented by law, a power district, or other public agency, shall contain appropriate provisions requiring the borrower to:
 - a. submit, when the Administrator shall so require, a contract or contracts for a supply of electric energy for the operation of its system;
 - b. agree not to enter into any contract for electric energy with which to operate its system or the sale of electric energy at wholesale unless the effectiveness of each such contract shall be conditioned upon the approval of the Administrator;
 - c. charge for electric energy furnished by it, subject to applicable laws and rules and orders of regulatory bodies, rates which shall be sufficient to pay and discharge all taxes, maintenance expense, cost of electric energy and other operating expenses of its electric system and also to make all payments in respect of principal of and interest on its notes to the Government when and as they shall become due and to provide a reasonable reserve for working capital.
2. This Bulletin rescinds General Order No. 166 of February 27, 1942. It also supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

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